

**COMMITTEE ON ACCOUNTS, ENROLLMENT & REVENUE
ADMINISTRATION**

June 7, 2005

4:15 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Guinta, Osborne, Shea, Thibault

Messrs.: S. Tellier, Aldermen Porter and Lopez, K. Clougherty, S. Wickens

Chairman Smith addressed Item 3 of the agenda:

Update on revaluation to be provided by Steve Tellier, Chairman, Board of Assessors.

Steve Tellier, Chairman, Board of Assessors stated I have before you a couple of handouts. One is a copy of the slideshow and the other one is an informational sheet that we are preparing to set up to share with taxpayers as the progress of the revaluation comes out. What I have set-up is a very brief slideshow and then a verbal report on where we are today. What is before you is just a general project flowchart that shows the public relations portion, the development of a work plan and the collection of the required physical data. That is the phase that we are in now. We are collecting. We have approximately 10 staff people here in the City of which 8 or 9 of them are going to all neighborhoods of the City. We started in February and we started at Bridge Street south between Elm Street and Mammoth Road. Currently the revaluation folks are in the southern part of the City near the Londonderry town line and then they will be proceeding counter clockwise around the City. After the data collection phase is complete...actually before I get to that they are doing residential data collection right now. The non-residential or commercial data collection should begin in approximately July. We have approximately 26,000 or so residential properties and a little over 4,500 commercial properties. Residential would include small two and three unit apartment buildings. It would also include condominiums. The commercial properties would include strip malls, gas stations, the large apartment complexes, industrial properties and any non-taxable like governmental properties and the charitable properties as well like churches, Art Institute, etc. Come November we anticipate the data collection phase will be completed. At that point they will be collecting all of the sales data and they will also be collecting income and expense

data from all of the commercial properties. Therefore, we will be getting into the analysis phase. At that point somewhere around the middle of May the notification should go out to all of the taxpayers. Those will be in the form of an official notice on the opinion of value. That will be approximately May 2006. The notices will indicate the new value with an 800 number that one could call if they want to attend one of the meetings for information or to object to their value based on data collection issues or issues that may not have been easily apparent. The benefits of a revaluation is obviously it is going to correct disproportionate taxation. What happens in a revaluation is that we redistribute the value. Obviously everyone has realized that the market has increased dramatically here in Manchester since 2001, which is the date of the last revaluation. It will adjust for market shifts and it will capture all of the new value that is out there that was done without benefit of permit. Those might be people who might have opened up a porch, insulated it, finished it off or those properties that may have had unfinished data or the upstairs were unfinished and that type of thing. It provides computer access to all information. That actually helps with economic development and it also helps to inform the taxpayer on their values. We are going to get information out on the web, the City's database and we are going to have an extensive database that they will be able to use to look not only at their own information but their neighbors and neighboring properties. Also, with the advent of the Sirrell decision and the Claremont decision, education funding and all of those, the NH Constitution requires new values to be placed every five years. That is why the City of Manchester was able to perform our revaluation in 2006 because the last time we did one was in 2001. Again, after the data collection there will be verification of all of the sales. In the City of Manchester we have over 4,000 transfers of property. 1/3 of those are revocable trusts, irrevocable trusts, LLC's or business transfers. However, approximately 2/3 of those are usually called qualified sales that are used in their sales analysis. The information that is collected as part of the sales analysis like the amount of bedrooms and bathrooms of the sold properties and the data collection would help allocate units of measure like square footage, how much per square foot of soil and that type of thing. What is the contributory value of a garage attached or detached? What is the contributory value of an in ground pool or a second floor or that type of thing? Excess land? Here is a picture of someone who is doing some data collection and measuring distances. In the exterior inspection the style is listed and the approximate grade of the property, story height – is it one story, one and a half, one and three quarters, two; the type of roof structure whether it is a gable roof, hip roof, the roof covering whether it is asphalt shingles or slate; wall construction is it just wallboard or sheetrock and that type of thing and especially important are your buildings. Homeowner participation is critical in the success of this project. As I will get into later the efforts here are to be as cooperative with the taxpayer as possible to get as much information as possible from the taxpayer. Our job is to help educate the taxpayer and to not assure them that the taxes are right but to

assure them that the values are appropriate and fair so everyone is paying their fair share. Nobody likes to pay taxes; however, most taxpayers feel a lot better when they know that their share is similar to John Smith's place or Jane Doe's place down the street. The interior inspection is a room count, bath count, the type of wall finish, the floor finish, the type of heating like gas versus hot air or hot water, bath style and kitchen style. Whether it is average for the date of the year the house was built or has it been updated? Is it a brand-new kitchen? Did they remodel the interior? For example a 1900 house that has been completely refurbished would have a different type of depreciation than one that is very dated. That would show up as well on the sales. The sales analysis. The local market is what determines sales. Property in Manchester – an average ranch in Manchester would sell for one price and an average ranch in Bedford perhaps would sell for a different one and an average ranch in Dixville Notch would sell for something completely different. So the local town sales is what we are going to use here. We have enough sales, using approximately 2,400 sales, that we are going to have clearly an abundance of sales to be able to peg accurate values. There are no preconceived estimates of value. There will be an in-depth study with sales analysis and all of the stratification whether you stratify them by types of property like all ranches would be stratified by type, colonials, capes and comparing apples to apples and not comparing apples to oranges. We will be determining the average land price for a buildable lot to determine the building value and the amount of depreciation working with the banks, builders and loan institutions. The delineation of neighborhoods is usually done by man-made and geographic boundaries. The one that is most easily identified is the river separating the East and West. Webster Street is a common indicator of North. We will be developing computer models based on the market and we are anticipating the GIS...the City has just accomplished the acquisition of a substantial GIS software system and we anticipate that that is going to be helpful for that as well. The analysis of the market information would be comprised of two prongs. One is the sales and one is the income and expense information. Late this summer income and expense mailings will be going out to all non-residential or commercial property. What we will be asking them is what are their properties renting for – restaurant owners...the owners of the real estate. What are they renting that real estate for? How much per square foot? We are not looking for what the business is accomplishing. We are looking at what the real estate derives and what is the income and expense information associated with that property. What are their management expenses? What are their advertising expenses, legal fees and utility costs because those are all analyzed in the income approach? The land valuation will be analyzed by location. A center city lot would go for one value and a more urban lot on the outskirts of the City would go possibly higher because it is a little less dense and there might be a little more land to it. We will be looking at all comparable properties and a review...there will be a detailed review by appraiser supervisors of all of the sales that are used to establish the benchmarks that we are

going to use to set-up the revaluation. Then we are going to have the informal hearings. Those should be concluded between June and July 2006. The feedback from the informal hearings not only will be used for the individual hearing cases but will also be used to analyze the integrity of the entire job as well. If they missed an area or something unusual comes up that was not initially seen that is where it would come out. On the informal hearing process notification will be provided to taxpayers on their new assessment. The hearings most likely would be held at Memorial High School. The School Department has been very accommodating in using Memorial. It is user friendly because of the parking and the ramp and the one story so that people can go right in by the cafeteria. The valuation review will be done at that time and then a final review by the Assessors once the job is turned over the Assessors. Any change notice whether a change is necessary or a denial that a change was not necessary would be received by each person at the hearings. Ultimately it would be up to the taxpayer as to whether they would appeal at the local Board of Assessors. The timeframe for appealing is from when the final bill is posted until the following March 1. In this case, it would be November 2006 until March 1, 2007. They would have that timeframe to appeal. Then the local Board of Assessors has a reasonable time to respond and then ultimately by the following July if they don't hear they can appeal to either Superior Court or the Board of Tax and Land Appeals. The next slide we added in this presentation because we felt it was very important. On the tax rate one of the common mistakes that a taxpayer will make is they will look at their new value and apply the previous year's tax rate, which is absolutely incorrect to do. What happens if you look on the screen, this is simplification of how the tax rate is calculated. It is $A \text{ divided by } B = C$. A is the budget that is appropriated by taxes. B is the total value or the net assessed value of the community and in a revaluation year that assessment has dramatically changed. We are presently at 57% of value so the municipality's value may essentially almost double. It is the appropriation and you divide into that the City's value and you come up with the tax rate. What we just noted here is that the tax rate is, in fact, calculated by the Department of Revenue but is absolutely inappropriate to take the previous year's tax rate. A good example was that in 2000 Manchester's tax rate was \$32.68 and in 2001 I think it was \$23.47. It was a little over \$23. So it went down around \$7. We are going to have access to the web for everyone that is going to show the entire City's database. It is going to have a picture of every property, the style and all of the pertinent information like living area, type of property, and the assessment. Also on the web will be a comparable sales module where John Doe or Jane Smith can punch in some of the information surrounding their own home and comparable sales will come up for them to define what sort of sales were used to establish their value. Also, we will be using graphical sketchings. This shows...it is only a top view. This is not to be confused with a plan of someone's house. It doesn't show where their bedrooms are or where the doors are. This is only a top view that shows where the living area is, where the outside perimeter is, where a garage

might be attached and where the porches are or non-living areas. That concludes that Powerpoint presentation. I am not going to go over it but the other handout is an informational brochure that the International Association of Assessing Offices puts out regarding information about assessing and property taxes. What I also have for you is to verbally confirm that since February up to June 4 revaluation data collection personnel have visited 10,746 properties to date. That is almost 1/3 of the City and they are in the southern most section of the City right now.

Chairman Smith asked me to touch on issues about the entry level because it has come up in discussion before. One of the things we want to emphasize is it is normally in the best interest of a person to let them in a home to confirm that their home is, in fact, in average condition for the year built, that their bedroom and bathroom count hasn't changed...those individuals that refuse to let them in what is going to happen is they will take the information at the door, however, the data collectors that we have employed here in Manchester are very qualified and very experienced. It doesn't take rocket science to figure out if you step back that the upstairs is finished when they are claiming that it isn't or that the house is in very good condition and somebody is misrepresenting the house in poor condition. So if they are not allowed entry in the home they will take some notes that the taxpayer states but they are also going to use their own best observed condition and judgement if they can't confirm what the interior information is. We are going to lean on the data collector's observed condition and judgement. The folk that are out there now are people that have been doing it for years and have a good track record in the quality of their data. Also, the Board of Tax and Land Appeals really takes a poor view of a community that penalizes someone and really embellishes something that might be in the home when it is really not apparent. However, for example if you have a raised ranch or a raised type of structure very often when a basement area has natural daylight coming in more often than not that area is finished in a recreation finished type of thing and we want to confirm that that has been finished or not. Conversely like on an expansion on a cape that may have been recently built in the last several years and was sold with an unfinished upstairs with a bonus area to be finished at a later date. If someone misrepresents the house as not being finished upstairs and refuses entry they have been directed to list it as finished. It is only fair to all of the other taxpayers that are trying to accommodate and do the right thing. Also it is important to note that should someone not allow interior inspection they very well compromise their right to appeal. If they appeal to the Board of Assessors and they refuse entry with the Board of Assessors we would likely move to ask the Board of Tax and Land Appeals or Superior Court to dismiss the case.

Alderman Thibault stated I have two questions but you just touched on one that I think is extremely important. The people of the City and I am sure in many other cities it would be the same thing are completely uninformed about this idea of going into the houses to check them out. Is there a way that we could let the

people out there know the theory that you just used right now that if, in fact, they don't let them in there these people are going to go to the highest amount that they feel?

Mr. Tellier responded again we are going to try to be reasonable on what that observed condition should be. We are not going to try to penalize them because that wouldn't be right. I don't think that is the message that the Board of Mayor and Aldermen or the Assessors want to send to the taxpayers.

Alderman Thibault stated only because of the confusion. I am telling you that some people feel intimidated by letting someone into their house to look at. They feel that because the house is cleaned up and it looks nice they are going to charge them extra. There should be a way that we can let a message go out that this is not what these assessors are going to be doing. I think they are going to be looking at what you said – if the house was built 50 years ago it should be in this condition more or less. There is a criteria that they are going to use that is not going to penalize the homeowner for letting them come in. I am just wondering if there is a way that we could let the people know that that is the case. Don't be afraid to let them in because they are going to be treating you a lot more fairly if they look at it than if they don't. That is my first question.

Mr. Tellier replied I think that is a good comment and we have spoken with staff over at the *Union Leader* to do another story. I think it is timely that that come out. In the almost 11,000 properties that have been visited we have received less than one dozen calls. Out of those dozen there have been some that were perturbed with the revaluation and there were a couple of gentlemen that absolutely refused entry and it was a principle to them and that is fine.

Alderman Thibault stated my next question would be and I hope that the *Union Leader* listens to this because I think again it is a misinformed problem. I think that the people of the City don't realize that the State is demanding that the City revaluation every five years. This is not something that the City is doing because it wants to. The State is pushing the cities and towns to revalue every five years as I understand it.

Mr. Tellier responded that is correct. In fact the Board of Assessors wanted to revalue sooner and the Board of Mayor and Aldermen asked to hold off until 2006. The Department of Revenue Administration acquiesced to that and allowed that to proceed.

Alderman Thibault asked I wonder what is the best way to put this out so that the people realize that this is not just something the City wants to get done but it is something that the State feels they are being hurt by the fact that our valuation is

below what it should be and that is why they are asking that you reevaluate every five years I imagine.

Mr. Tellier answered actually it is in the Constitution. One of the things that occurred in the education funding litigation that went to the Supreme Court was the fact that the State was not enforcing its own five year rule. You would see communities often go...the perception was that you did it every 10 years. Some communities like Bedford who recently had theirs done had gone 17 years.

Alderman Thibault stated I think we had gone 12 or 13 the last time we had done it before this last time.

Mr. Tellier replied it was 10 years and before that it was 20.

Alderman Thibault stated I just wish that there was a method and I don't know if it has to come through you or your committee or your department or through the *Union Leader* but I think the people should be informed what we are doing here and why we are doing it.

Mr. Tellier responded well this will be on MCTV and it will be reported as well and again we are working with staff at the *Union Leader* to get another story out and help educate them about this whole process.

Alderman Osborne stated I don't want to put a scare into everybody here but getting to the bottom line you were talking about 57% and this is what the average home is at right now.

Mr. Tellier responded that is the equalization ratio for 2004 yes.

Alderman Osborne asked and it is supposed to be 100%.

Mr. Tellier answered it will be 100% so what will happen is people's value will dramatically change but so will the tax rate.

Alderman Osborne asked how does the tax rate adjust as to the assessment.

Mr. Tellier answered basically the tax rate is calculated depending on the appropriation that the Board of Mayor and Aldermen vote on during the budget and they divide into it the tax base and the rate is derived at that time. That is why I brought up, for example, the last time in 2001 the tax rate dropped by over \$7 last time. So if last year's tax rate was \$27.92 we are talking about a 3% increase for this year...I don't have a calculator in front of me so I don't know what that rate would be but the tax rate would drop dramatically, the next tax rate for 2006.

However, people should realize that in 2006 the first bill that they get will be an estimated $\frac{1}{2}$ of the previous year. They are not going to see the new values apportioned to that first tax bill because State law doesn't provide us the ability to do that. We will have the hearings in early summer but the new values and the new tax rate won't be implemented until the second half bill.

Alderman Porter stated I think when you are mentioning the ratio, the ratio this past year went from 67.1% to 57.1%. That represented approximately 14% appreciation on average. If we have the same appreciation it is not unlikely that the new ratio will be somewhere in the vicinity of 50% by the time the revaluation is on the books, which means that it is not inconceivable that people's property values may double. As far as the decrease in the rate, there are a number of things involved, not the least of which is the budget that is approved by the Board of Mayor and Aldermen. There are a couple of things I would like to mention that I hadn't done during the last one. In the 2001 revaluation there are a number of publications and no offense to the *Union Leader* but not everybody reads just the *Union Leader*. You have the *Hippo Press* and various radio programs and I don't want to plug one show but Charlie Sherman has a show that doesn't deal with just sports. You have talk shows and TV shows and a number of avenues and I think there has to be a proactive approach on the part of the Assessors and not to just assume that everybody will read a particular article in the *Union Leader* on a particular day. Another thing I would like to remind you of and maybe it is not necessary but I know it will be critical, assessment exemptions will have to be adjusted upward. If the Board of Mayor and Aldermen wishes to maintain approximately the same amount of money in terms of an exemption...for example a \$125,00 exemption for an elderly person if the tax rate were to drop 40% that means the amount of money they would get for an exemption would also drop and would put quite a burden on people receiving exemptions. So that will have to be adjusted. In order to do that there has to be at some point an estimate of what the tax rate might go to within reason. Nobody has a crystal ball and we certainly can't predict that far ahead but these are just reminders so we don't get into a situation where it is after the fact and it creates a lot of problems. One of the areas that I have expressed concerns with, which is not the fault of the Assessors or the revaluation company will be what the shift may be because I think it is appropriate that at whatever point in time it is able to be calculated reasonably on a projection basis what that shift may be in order that people might be prepared. I have a suspicion that the shift will be substantial because the appreciation of residential properties in my opinion has far outstripped the appreciation in commercial and industrial values and this is going to be very important. All I am asking at this point is to keep that in mind and that at whatever point it is reasonable to give this Committee or the Board of Aldermen and the public obviously, more importantly, an idea of what to expect and that should certainly come some time while the valuations are being formulated. The income approach, which can be somewhat

problematic because they are going to have to estimate because not everybody is going to be forthcoming with their books and up until now there is no statutory requirement for them to report their income and expenses. Just as a reminder there are a number of avenues for publications. Since the Union Leader got a plus I will mention the *Hippo Press* as a local paper but radio and TV...there are a number of things that I think can be utilized to get this message across to the public and it is very important because I think it is going to have quite an effect because the sticker shock...if you have a property evaluated at \$135,000 and all of the sudden you get it at \$228,000 you are going to wonder what happened and I think this would be very helpful to people. Thank you.

Alderman Thibault stated I have one more question Steve because you touched on something about the 100% revaluation. When you say 100% I have always understood it that when the City evaluates anything, let's say they figure 100% but it is really like 85% or 90% of the real value. Am I right in saying that?

Mr. Tellier responded it used to be closer to 90%, however, with the advent of assessing standard guidelines we must be between 90% and 110% of value so you can't hedge those values like they used to. In response to Alderman Porter's comments those were very good. Thank you very much Alderman Porter. We are also going to include besides all of the publications and radio we will be appearing before many civic groups whether they be the Concerned Taxpayers, the Rotary Club, tenant/landlord associations and the like. We will include that as well. Also we will as Alderman Porter brought up we will establish some recommendations for this Board. It is our assumption that the Board of Mayor and Aldermen will want to see those who are receiving a certain amount of benefit from the elderly exemption that they will want to see them receive a similar amount of benefit that they have grown to be able to live with. We will have recommendations for this Board to that.

Alderman Thibault stated when you are talking about the 100% Steve you are talking about...tomorrow if I want to sell my house and it is going to be \$250,000 that is what you are going to be assessing me at correct

Mr. Tellier responded correct.

Alderman Thibault stated I would like the people to know that because that is a misconception that is out there also that I would like to have cleared up. In other words, if I want to sell my house for \$250,000 and somebody comes over and assesses it and tells me it is not worth over \$200,000 what are you going to do? Would they be able to appeal then?

Mr. Tellier responded absolutely but again someone's assumption may be far different than the market or there may be an easily defined reason why those values don't match.

Alderman Guinta stated Steve you mentioned that there were 2,400 sales that you are going to be using to determine values. Can you expand on that a little bit?

Mr. Tellier replied we have over 4,000 transfers in the City of Manchester a year. Out of those, 1/3 of them are revocable trusts, irrevocable trusts, transfers from parent to children, siblings, interbusiness transfers...those are discarded as not what is in the industry qualified sales. A qualified sale is one that is exposed to the market for a reasonable amount of time. The buyer and seller are acting with full knowledge and there is no undue stimuli on the sale. In other words, the buyer doesn't have to buy or the seller doesn't have to sell. Now out of those 4,000+ properties that the City sees as transfers, approximately 2,300 to 2,600 of those a year could be considered qualified sales and then they would further group them by residential or commercial and then further stratify those as ranches, capes, colonials and that type of thing.

Alderman Guinta asked what happens if the market in 2006 or the latter portion of 2005 is different than in the beginning portion of 2005. How do you quantify that?

Mr. Tellier answered by time adjustments. We would take similar sales and if we were to define or ascertain that the market has changed you would clearly see changes in sale prices between matched pairs and it would be easy to define what that percentage of value had changed by. That is called time trending, which is commonly done.

Alderman Guinta asked and you will be able to...there is going to be enough time in 2006 to do that. I think most people tend to think that sales may be leveling off in 2005.

Mr. Tellier answered certainly that will be anticipated. Absolutely.

Alderman Guinta stated the only other suggestion I have is with respect to providing information to property owners. I thought that when a property is visited they are handed an informational sheet that addresses all of the questions we have talked about having in different publications.

Mr. Tellier responded what we are doing now is developing another publication that will be at the City Clerk's Office, our office, the Tax Collector's Office and the public library. That is what we have done traditionally in the past is a handout

but the thing that most taxpayers really want to know besides the basic news information they want to know what everybody else's values are. What is the ranch next door assessed at? What is the cape up the street that they know redid their whole house assessed at and that type of thing. I would encourage the taxpayers to between now and when they get their revaluation notices if they could keep a list of three, four or five homes that are similar to theirs in their own neighborhood that they can compare to and then should they have any questions they are absolutely encouraged to call the Board of Assessors. We have a full-time staff and we are very quick to respond to any taxpayer's concern.

Alderman Shea stated thank you for the presentation Steve. The question I would like to ask is in the recent revaluation there was concern and statements were made that 1/3 of the properties would go up, 1/3 would go down and 1/3 would stay the same. Is the same scenario going to be evident in this particular revaluation?

Mr. Tellier replied that used to be an industry wide scenario but it is really not appropriate to say because I think if you just allocated a from the hip thing you could say that but what happens is different strata go up and different types of properties will go up. Retail may go up. Residential properties have clearly gone up a substantial amount. Income producing properties have gone up quite a bit in recent years. It is very hard for me to sit here and look at you and say that 1/3 go up, 1/3 go down and 1/3 stay the same because that may not be quite accurate.

Alderman Shea stated well my reasoning is that because of the revaluations that were recently conducted in the last five years wouldn't most assessments go up proportionately? That is to say that the evening off would have occurred after the revaluation that took place in 2001 so now the evaluations in 2005 and 2006 that will be completed will tend to reflect a certain fair appropriation for all of the different areas of the City.

Mr. Tellier responded some of that is accurate but we will have different types of properties that may have appreciated quicker than others and there are different areas of the City that in 2000 when we used the sales...if you recall in October 1991 when five NH banks closed and all hell broke lose from 1991 through 1994 it was a terrible market and an awful time for everybody and in 1995 it started to turn and 1996 got better and 1997, 1998 and 1999. In 1999 for example we were seeing a 20% increase in that one year alone in market values and the market has continued to increase. In Manchester we are finding that because of decisions by the Board of Mayor and Aldermen and the City in investing in itself Manchester has not seen the level of vacancy that other cities of our size and style have seen. We are not seeing the vacancy in the residential population and we are not seeing the office vacancy as well or that type of thing. So Manchester is in a much more favorable position than a lot of communities of our size. There are approximately

a dozen in New England of our size. Manchester is really in a good time right now.

Alderman Shea stated my question and it is a generic question is some people say because the tax rate is so high that people will lose their houses. To your knowledge has anyone in the City lost their house because of taxation? Do we put into place appropriate controls so that an elderly couple or a person that has met with certain catastrophic types of situations...

Mr. Tellier interjected I think clearly some people have decided to sell because they have seen an enormous benefit financially to selling, however, I clearly can say that Manchester is pretty generous when we compare ourselves to most other communities across the state. During the last time when the Mayor and Board of Aldermen adopted readjusting our income and asset criteria I passed out some information at that time that showed Manchester was clearly in the top tier as far as trying to do the best thing they could with our elderly and our exemption criteria. Also, our disabled is one of the highest as far as our income and our asset criteria. Our exemptions, our disabled, blind and elderly exemptions, amount to more than most small towns or medium sized towns in this state. We are around \$140 million that is given to those exemptions. I would say that I am not aware of anyone who has lost their home because of taxes because not only do we have the elderly exemptions but we also have the state deferral program, which allows someone who has been in their home for a long time to defer or stay the collection of taxes until a later date and by state law that only accrues at 5% a year so the money that an elderly person or someone on disability would normally pay for taxes they can use the equity of their home and just put it aside and wait to pay that at a later date to increase their quality of life. There are a lot of state programs available.

Alderman Osborne asked Steve what would you say in the past, the tax rate itself, what has been the decline percentage wise.

Mr. Tellier answered I don't understand the question.

Alderman Osborne stated the question is in the past the tax rate itself, what it is set at, what has been the decrease or decline percentage wise in the past.

Mr. Tellier responded the tax rate has increased every year. The tax rate has been increasing.

Alderman Osborne stated but you always say that the tax rate itself declines...the assessment goes up and the tax rate comes down so it equalizes at a certain point so what has been the...

Mr. Tellier interjected the easy way to remember it is the ratio continues to decline. The ratio is just a percentage that recognizes the increase or decrease in the market. An assessment is a static or single value placed on a property as of a certain effective date. In the State of New Hampshire it is April 1 of any given year. In an increasing economy that percentage or equalization ratio is less than 100% and continues to decline as the market value increases. That is derived by taking the assessment and you divide by the sale price so in an increasing economy the ratio is less than 100% but if the sales prices were less than what it was assessed at the ratio would be more than 100%.

Alderman Osborne asked what is the tax rate right now.

Mr. Tellier answered \$27.92.

Alderman Osborne asked what was it in 2001.

Mr. Tellier answered I am not sure. I can report back on that.

Alderman Osborne stated I just wanted to know how much difference there was.

Alderman Porter stated in 1991 the rate from 1990 went from \$112.20 to \$25.87, however, the ratio was down around 21% so you really can't predict...there is no average. The rate, I believe, was somewhere around \$30.68 and it dropped 25% whereas in the other one it went down 75% so there is really no accurate measurement.

Alderman Lopez asked out of the 10,476 homes the revaluation people have visited, what percentage did they not get into the houses.

Mr. Tellier answered right now they are at about a 40% entry rate and what they are doing right now is they are going to be sending mailings out to those...because as everyone knows a tremendous amount of homes have...

Alderman Lopez interjected I just want to caution one thing and I hope that the Board of Assessors and I am sure you will with the revaluation company but whoever is sitting here don't run into any administrative problems whereby we have to increase the abatement account because so many people are putting in for it even though they didn't get in the house and we have an administrative nightmare where we can't get a true evaluation because when the Board of Assessors bring the final numbers to the Board all of the calculations of the disability, blind, veterans and everything has to be in there. I just want to caution

that these people are not getting into 60% of the homes and that is not a very good record.

Mr. Tellier responded most of that is due to them going from 9 AM to 5 PM. They do go after 5 PM. The revaluation firm will be sending notices out asking people to call for an appointment to list their homes, when they will be available after 5 PM or on Saturdays. We will be increasing that number.

Alderman Lopez stated the final point I want to make is in the cost for the revaluation if it was downgraded personnel wise for them to give us a low bid and they don't have the personnel to do it we better take a good look at that contract because if I am here I don't want to be sitting here next year saying gee it is a nightmare and we are not going to accept this revaluation.

Mr. Tellier replied that is certainly well taken and it is not a personnel issue. They are adding more personnel in the coming months with the notices that will be going out to people's homes asking them to call for an appointment. We will definitely be getting those percentages up. I am assured of that.

Chairman Smith stated I want to thank you, Steve, but I really think to sum it up I asked you I think it is a public relations job that the Board of Assessors has to do and if you approach the media and TV and so forth and get the message out there because I ran into the bed ridden parent that didn't want to leave or have somebody come in so they wanted to make arrangements at a certain time. So public relations are needed either through the newspaper or so forth. People are scared because they say my property value is going to go up and my tax rate is going to go up. If you can do a public relations job I certainly would appreciate it and get the message out there. I want to thank you very much for your information today.

Chairman Smith addressed Item 4 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting the City's unaudited Monthly Financial Statements for the eleven months ended May 31, 2005 for FY2005.

Kevin Clougherty, Finance Director, stated as you know when we adopted the budget we knew it was going to be a tight year. We have gotten this far. There are only a few weeks left in the fiscal year and it is tight but manageable. We know on the expense side that there are a couple of departments, I think Highway and a few of the smaller departments that have some problems but we also have salary adjustment and contingency dollars set aside so when you are talking to departments if you can just remind them to be prudent I think barring any unusual

circumstances we should be fine. There may be some overages in certain line items, particularly for worker's compensation and for health insurance but again we have the reserves for those that were set up for that purpose. We think we are well situated for that. On the revenue side, if we have the same type of a trend as we had at the end of the last fiscal year, we should be fine. We should make our revenues. If you look at the financials that we have given you this time in order to meet today's deadline, Mr. Chairman, as you know we try to run our reports at a certain time of the month so that you have them on a regular cycle. We did these on an accelerated basis so we couldn't capture everything so they are a little bit understated on the revenue side when you look at them so just keep that in mind. Bottom line is we are into the final month, we think we are going to make the thing work and if there are problems because of something unforeseen, some emergency in one of the departments, we will come back to you but so far so good.

Alderman Shea stated obviously and I am kind of focusing on the fund balance Kevin, that is to say how much money will be available and of course you used the general term twice, fine, fine, but could you be a little bit more specific in terms of revenues and expenditures so that we have a better idea.

Mr. Clougherty responded I think Guy does a good job every month in laying that out in his piece. I didn't know if we were under a time constraint that is why I was trying to give you a quick version. I will let Guy walk you through that like he does every month to hit the high spots if that is what you want.

Alderman Shea replied just the general situation, Kevin, rather than...you know if he could kind of confine it because we are kind of running late here.

Mr. Clougherty stated right. Auto registrations are 4.78% over last year, which is close to the budgeted increase of 5.34% with another month to go. If we see the same type of June that we saw last year, which we expect we will, we should hit that target. That is one of our biggest numbers. Our federal and state funds, again it is timing. You don't have included in here some of those dollars simply because we had to do the report sooner than we usually do or those would be included. We know that we are going to get certain numbers from the state for programs so once those get folded in we really feel that the revenue projections for last year are going to be very close. It is achievable but it is going to be very close. On the expense side, most of the departments are in good shape. There are a couple that have some issues but we have reserved some money to offset that and we think that is going to be close as well. If we have a major buyer or some type of emergency than obviously that could have an effect on it but right now the projections that Guy is doing show that salaries and wages we should be able to get everybody through okay. Worker's compensation is going to be a little bit

more than we budgeted but we have the worker's compensation reserve for that and that is where that will come from. Similarly with health insurance. Health insurance right now is about a \$70,000 swing this month and depending on how the last month goes we may have to hit that reserve for a couple of hundred thousand dollars but we have over \$1 million in it anyway. So that is what it was set-up for, these types of occasions. I think bottom line it will be very close to the fund balances that we projected for the current year's budget. I think you will make those but you are not going to make a lot more than that. Again, as you talk to the departments please ask them to be prudent. If you remember at this time last year we were letting people buy some vehicles and do some things that we are just not able to do this year because we made it so tight.

Chairman Smith stated I am very concerned about the Highway Department. I guess they have run into a severe problem and they are going to be short in their budget. What money do we have and what recourse? I don't know what we have in contingency or how we are going to address that.

Mr. Clougherty responded as you know we already transferred some funds to them during the year. My understanding is that they are still in about a \$70,000 deficit. I think there is roughly \$140,000 in contingency and about \$130,000 in salary adjustment and that will have to take care of Highway plus the other departments but we are not hearing that there are big issues in the other departments so we think we are going to be okay there barring any unforeseen circumstances. The projections right now look like they are going to be tight but we should make our estimate.

Alderman Guinta asked on the first page of the balance sheet, unaudited, does the top section include salary items, the \$6.1 million that is unobligated for 2005.

Mr. Clougherty answered yes.

Alderman Guinta asked so for Information Systems it is \$270,000.

Mr. Clougherty answered right but a lot of what the budget is for Information Systems is contracts for service agreements and purchase agreements and they encumber that at the beginning of the year. So if you went and looked at the first month's report you would see that a lot of that was encumbered in that report.

Alderman Guinta asked but you are going to see some left over funds then in Information Systems.

Mr. Clougherty answered you may.

Alderman Guinta stated it should be fairly significant if everything has been paid.

Mr. Clougherty responded again what they have encumbered and what they are billed for and they are working on that process. They try to take everything at the beginning of the year that they anticipate they are going to have a contract payment for and put that into the system.

Alderman Osborne moved to accept the report. Alderman Thibault duly seconded the motion. Chairman Smith called for a vote. There being none opposed, the motion carried.

Chairman Shea addressed Item 5 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only;
- d) open invoice report all invoices due from the School District only;
- e) listing of invoices submitted to City Solicitor for legal determination; and
- f) accounts receivable summary.

Sharon Wickens, Financial Analyst II stated the only thing I wanted to mention was that at the last Committee meeting Alderman Shea had reviewed the Accounts Receivable 90 day summary that is 5f in your packet. There were two items on there - Fraser Insurance Company and a state invoice. Fraser Insurance I have been working with them through e-mail and they are looking at what I faxed over and hopefully we will get a payment in about a month. Regarding the state bill, they insist that they have paid this. They are researching it because I want to see where they paid it and if it was misapplied. We can't find it anywhere. I just wanted to mention that.

Alderman Osborne stated have them send their cancelled check.

Ms. Wickens responded they are saying they ACH'd the money in but I can't find it so they are looking into it.

On motion of Alderman Thibault, duly seconded by Alderman Osborne it was voted to accept the reports.

Chairman Smith addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting the 4th quarter FY2005 write-off list for the accounts receivable module.

On motion of Alderman Shea, duly seconded by Alderman Thibault it was voted to approve the FY2005 fourth quarter write-off list.

NEW BUSINESS

Ms. Wickens stated I sent a letter to each of you under separate cover and I didn't know if you wanted to do that now real quickly if you have had a chance to look at it.

Chairman Smith stated I had a chance to look at it yesterday but I would like to get in touch with the Fire Department because we have had some serious problems with the School Department – you know it is \$612 on their alarms and so forth and it seems like a lot of these alarms going to certain streets like Chestnut Street and that the bill hasn't been paid because of a faulty system. I can understand the situation with Easter Seals but the system wasn't working. It wasn't the fault of the Fire Department. I would like to talk to the Fire Department because it is a substantial amount that they would like to have us write-off and I don't know what you think about holding off on it for a month. Would it make any difference to Easter Seals?

Ms. Wickens responded we certainly could probably wait on it for another month. I did talk to the Fire Department to ask them what their preference was. He doesn't recommend writing off any revenues and that would be up to your discretion. He has nothing against Easter Seals but he defers to the Committee.

Alderman Shea moved to table the item. Alderman Osborne duly seconded the motion. Chairman Smith called for a vote. There being none opposed, the motion carried.

There being no further business, on motion of Alderman Shea, duly seconded by Alderman Thibault it was voted to adjourn.

A True Record. Attest.

Clerk of Committee